

Boulder Microloan Fund 2009 -2010

Program History

During the creation of the City's Economic Vitality Program the idea was put forward that if the city could help businesses purchase the buildings in which they were located, those companies would be more likely to remain in Boulder over the long term. In 2007 the city engaged the Boulder Economic Council (BEC) to help form a loan pool for that purpose. The Boulder Owner-Occupied Loan Program was aimed at primary employers whose business was located in the city of Boulder.

The city provided \$300,000 to seed the Boulder Owner-Occupied Loan Program and additional funding was solicited by the BEC from local banks as follows:

- First National Bank of Colorado - \$100,000
- United Western Bank - \$100,000
- Wells Fargo Bank - \$100,000
- Heritage Banks - \$75,000
- US Bank - \$25,000

The total loan pool of \$700,000 was offered beginning in the early summer of 2007 in conjunction with the Small Business Administration 504 Loan Program which provided up to 90% loan-to-value on approved property purchases. Up to \$100,000 per borrower could be accessed from the Boulder Owner-Occupied Loan Program by approved primary employers in Boulder who needed to increase the borrowing up to a maximum of 95% loan-to-value. Administration was done by Colorado Enterprise Fund (CEF) and underwriting was done by the banks approving the 504 loan.

The pool was operated for one year, at the end of which only one loan had been made to Wish Garden Herbs. The funding banks, CEF personnel, the city and BEC met and determined that while the concept of helping businesses own their buildings to keep them in Boulder might be good, this program was not making a difference to the transactions or the number of businesses buying their buildings. This was largely due to the fact that a primary employer who can afford to buy commercial office space in Boulder is less likely to qualify for the required matching SBA 504 loan due to the restrictions on income and equity.

With the economic downturn beginning in late 2008, the BEC approached the city, CEF and the contributing banks about continuing to commit their funds, but to a Microloan Fund from which Boulder businesses could access small working lines of capital.

New Loan Program Description – 2009/2010 Boulder Microloan Program

Program Mission:

Provide access to capital in the form of business loans to small businesses and non-profit organizations who cannot obtain financing through traditional sources, but who are capable of sustaining a business and repaying debt.

Market Need:

Through the Small Business Development Center and other input, the group determined that there was a demand for small business operating and other loans that was not currently being met in the community for a variety of reasons. In the economic environment of 2009 and with banks being capital constrained, this was particularly true. Small businesses form the majority of the city's economic base and the group felt an effort to provide a modest lending program for those who cannot access bank debt, but can repay a loan, would have positive effects on the city's economy for some time to come.

Further, the prior program did not address the needs of the banks who participated to reach the lower income community more effectively. This new program meets that need by ensuring at least 60% of the lending is to businesses with \$1 million or less in annual revenue. This allows the banks to count their loan or contribution to the program for their Community Reinvestment Act requirements.

Operational Details**1) Business Eligibility Criteria:**

- a. Location: At least 80% of businesses must have their primary office/headquarters or operations in the City of Boulder, CO. All must be within Boulder County. Note: the participating banks serve the broader Boulder market and wanted to ensure at least a few of the applicants from outside the city boundary could be considered.
- b. Size and Income:
 - a. Businesses: Businesses may not exceed \$2 Million per year in gross revenue for the year immediately preceding the date of the loan and 60% or more of the Fund's loan must be made to businesses with less than \$1 Million per year in gross revenue
 - b. Non- Profits: Non-Profit Organizations Must show that at least 51% of the individuals served fall at or below 80% of HUD's median income levels.

2) Loan Purposes:

Loans may be used for most business purposes including, but not limited to the following:

- Inventory purchase
- Start-up expenses
- Equipment purchase
- Operations
- Tenant finish and property improvements
- Purchase of a business

3) Loan Size:

Loans may range up to a maximum of \$50,000.00.

4) Loan Term:

Loan terms may range up to a maximum of 6 years with any re-write of the loans able to extend the original term by up to two years.

5) Underwriting:

Underwriting decisions are made according to Colorado Enterprise Fund's ongoing underwriting standards and guidelines.

Funding:

Microloan Fund Participants:

City of Boulder	\$50,000 (grant)
First National Bank of Colorado	\$50,000
Wells Fargo Bank	\$100,000
US Bank	<u>\$25,000 (grant)</u>
Boulder Banks and City funding:	\$225,000 (loan funds)
CEF:	<u>\$100,000 (matching)</u>
Total Loan Pool Funding:	\$325,000

Wells Fargo and US Bank both left the full amount of their prior funds available for the new Microloan Fund. The city reduced its funding from \$300,000 to \$50,000, First National Bank of Colorado reduced its funds from \$100,000 to \$50,000 and United Western and Heritage Bank both withdrew their funding due to capital constraints, and in the case of Heritage Bank, a sale of the bank to a new owner. Negotiation around changes in documentation, charges to be paid to CEF for management and loan loss charges resulted in final funds for the Microloan Fund being received at the end of July, 2009.

Loan Recipients:

- **Boulder Homemade**
Boulder Homemade Ice Cream is a Boulder based producer and distributor of high quality natural ice cream. The Boulder Microloan Pool loan made it possible to purchase additional equipment for increased capacity.
- **Pure Hair Studio**
Pure Hair Studio owner, Rochelle Raper, was a hairstylist who rented her booth. Due to sufficient cash flow, she was able to start her own salon. The Boulder Microloan Pool loan assisted Rochelle with tenant improvements and equipment in the North Boulder location she now rents.
- **ANCO Engineers**
ANCO Engineers manufacture "Shake Tables" for government and universities around the world. The table simulates earthquake movements in order to provide feedback on how buildings and structures react during earthquakes of different types and magnitudes. The feedback allows for the construction of safer buildings. They also manufacture shake tables for product development and packaging testing, as well as military testing.
- **Boulder Vision Associates**
Boulder Vision Associates provides eye care in the Gunbarrel area. The Boulder Microloan Pool loan provided funding for the purchase of a building to house the expanding business.
- **Wish Gardens**
Wish Gardens is an exporter of herbs and related products. The Boulder Microloan Pool loan assisted in the purchase of a building where the business is housed. Note, this is a transfer from the Owner-Occupied Loan Program
- **Lotus Blossom Learning Center**
Lotus Blossom Learning Center is a Childcare provider. Lotus Blossom has 11 child care slots. The Boulder Microloan Pool loan provided funding for the purchase of the existing business.
- **Paradigm Publishers**
Paradigm Publishers is an educational book publisher who publishes over 290 titles in the university and scholarly market, including textbooks, scholarly works and academic journals. The Boulder Microloan

Pool loan assisted them when their existing bank called their line of credit due and helped them continue their successful operations.

- **University Parent Magazines, Inc.**

University Parent Magazines, Inc. provides hard copy and on-line informational campus magazines for college students, especially targeted to their parents. The publication helps Universities provide a high quality, low cost publication to help students and parents be better informed about the school and its environment while at the same time helps local businesses access the student and parent population via advertizing. The Boulder Microloan Pool loan helped with working capital they needed to see them through their seasonal sales cycle.

- **Boulder Insurance Solutions**

Boulder Insurance Solutions is an Insurance Brokerage office. They are truly dedicated to bringing small and medium sized businesses the service they deserve and expect. It's their high-level of client service and account management that guides businesses to stability and growth with sensible insurance solutions. They develop a custom portfolio of insurance coverage that meets business goals and budgets.

- **Café Aion, LLC**

Café Aion is a high quality, full-service restaurant on "The Hill" of Boulder. The have a new, innovative, fresh cuisine.

- **D.O.G. Enterprises, LLC**

D.O.G. Enterprises, LLC is a provider of premier doggy day and overnight camps and premier in-home pet care. Whether you bring your pup to D.O.G. Enterprises facilities or choose to have someone take care of your pet at home, you can be sure your pet is in the best hands besides your own!

Of the above listed 11 loans, the total amount funded was \$428,840 due to CEF providing additional funding to some borrowers.

Results:

- 11 childcare slots were created
- 108 jobs were created and/or maintained
- 45 % are women-owned
- 18% are minority-owned

Boulder Microloan Fund: Loan Activity Report

	Number	Dollar Amount
Amount of Pool		\$325,000
Boulder Loans Closed	11	\$325,000
Cash Balance Remaining		-0-
Additional Loans made by CEF to these Borrowers	2	\$103,840
Loan Size Range		\$12,000-\$102,000
Loan Term Range	36-72 months	
Current demand for loans by new borrowers	5	\$285,000

Next Steps:

The Boulder Economic Council is currently in discussions with local banks about contributing to another round of funding for the Microloan Fund. The city is awaiting determination of those dollars before finalizing the amount the city will contribute.